***Organizational Theory, Design, and Change, 7e* (Jones)**
Chapter 1   Organizations and Organizational Effectiveness

1) An organization is a tool people use to coordinate their actions to obtain something they desire or value.
Answer: TRUE
Page Ref: 2
Difficulty: Easy
LO: 1-1

2) Organizations die or are transformed when the needs satisfied by them are no longer important.
Answer: TRUE
Page Ref: 2
Difficulty: Easy
LO: 1-1

3) Entrepreneurship is the process by which people recognize opportunities to satisfy needs and then gather and use resources to meet those needs.
Answer: TRUE
Page Ref: 2
Difficulty: Easy
LO: 1-1

4) Value creation by an organization takes place at three stages: input, conversion, and output. Out of these three stages, only the conversion stage is affected by the environment in which the organization operates.
Answer: FALSE
Page Ref: 3
Difficulty: Easy
LO: 1-1

5) The organizational environment is a set of forces and conditions that operate within an organization's boundaries.
Answer: FALSE
Page Ref: 3
Difficulty: Easy
LO: 1-1

6) Government is a part of organizational environment.
Answer: TRUE
Page Ref: 3
Difficulty: Easy
LO: 1-1

7) As compared to a large company, the degree of specialization in a small company is higher.
Answer: FALSE
Page Ref: 5
Difficulty: Moderate
LO: 1-1

8) The environment in which an organization operates is a major source of uncertainty.
Answer: TRUE
Page Ref: 6
Difficulty: Easy
LO: 1-5

9) Economies of scale are cost savings that result when an organization is able to use underutilized resources more effectively because they can be shared across several different products or tasks.
Answer: FALSE
Page Ref: 6
Difficulty: Moderate
LO: 1-1

10) Economies of scope are cost savings achieved when an organization manufactures products in large volumes.
Answer: FALSE
Page Ref: 6
Difficulty: Moderate
LO: 1-1

11) Economies of scale are cost savings achieved when an organization manufactures products in large volumes.
Answer: TRUE
Page Ref: 6
Difficulty: Easy
LO: 1-1

12) Transaction costs are the costs associated with negotiating, monitoring, and governing exchanges between people.
Answer: TRUE
Page Ref: 7
Difficulty: Easy
LO: 1-1

13) Formation of organization results in increased transaction costs.
Answer: FALSE
Page Ref: 7
Difficulty: Easy
LO: 1-1

14) Organizational structure is the formal system of task and authority relationships that control how people coordinate their actions and use resources to achieve organizational goals.
Answer: TRUE
Page Ref: 8
Difficulty: Easy
LO: 1-2

15) Organizational theory is primarily concerned with how an organization can outperform its competitors.
Answer: FALSE
Page Ref: 8
Difficulty: Moderate
LO: 1-2

16) Organizations that provide essentially the same goods and services will always have similar organizational cultures.
Answer: FALSE
Page Ref: 9
Difficulty: Moderate
LO: 1-2

17) An organization's culture is shaped by the type of structure used by the organization.
Answer: TRUE
Page Ref: 9
Difficulty: Easy
LO: 1-2

18) Organizational design is the process by which managers select and manage aspects of structure and culture so an organization can control the activities necessary to achieve its goals.
Answer: TRUE
Page Ref: 9
Difficulty: Easy
LO: 1-2

19) A contingency is an event that might occur and must be planned for.
Answer: TRUE
Page Ref: 11
Difficulty: Easy
LO: 1-5

20) Competitive advantage is the ability of one company to outperform another because its managers are able to create more value from the resources at their disposal.
Answer: TRUE
Page Ref: 12
Difficulty: Easy
LO: 1-5

21) A culture based on entrepreneurial norms and values is less likely to encourage innovation than a culture that is conservative and bureaucratic.
Answer: FALSE
Page Ref: 14
Difficulty: Easy
LO: 1-5

22) The external resource approach to measuring organizational effectiveness evaluates an organization's ability to be innovative and function quickly and responsively.
Answer: FALSE
Page Ref: 16
Difficulty: Moderate
LO: 1-4

23) The technical approach to measuring organizational effectiveness evaluates an organization's ability to secure, manage, and control scarce and valued skills and resources.
Answer: FALSE
Page Ref: 16
Difficulty: Moderate
LO: 1-4

24) The internal systems approach to measuring organizational effectiveness evaluates an organization's ability to convert skills and resources efficiently into finished goods and services.
Answer: FALSE
Page Ref: 16
Difficulty: Moderate
LO: 1-4

25) Increasing product quality and reducing number of defects are examples of indicators used to measure organizational effectiveness as per the internal systems approach.
Answer: FALSE
Page Ref: 17
Difficulty: Easy
LO: 1-4

26) Operative goals can be either short or long term in nature.
Answer: TRUE
Page Ref: 19
Difficulty: Easy
LO: 1-3

27) ________ is the process by which people recognize opportunities to satisfy needs and then gather and use resources to meet those needs.
A) Moonlighting
B) Benchmarking
C) Entrepreneurship
D) Social loafing
Answer: C
Page Ref: 2
Difficulty: Easy
LO: 1-1

28) Jeffrey Bezos saw the opportunity to sell books over the Internet, which was growing. So he started a Web site where people could buy new books and sell there existing books. This was the first Web site dedicated to buying or selling books. This is an example of ________.
A) social loafing
B) parallel marketing
C) surface bargaining
D) entrepreneurship
Answer: D
Page Ref: 2
Difficulty: Moderate
LO: 1-1

29) Robert decided to create a Web site for buying and selling electronic products and he only recruited people who could provide high-quality, customer-friendly service that would appeal most to his Internet customers. This shows that Robert is trying to create value at the ________ stage.
A) input
B) conversion
C) output
D) feedback
Answer: A
Page Ref: 3
Difficulty: Easy
LO: 1-1

30) Which of the following is a part of an organization's environment?
A) machinery
B) suppliers
C) money and capital
D) raw materials
Answer: B
Page Ref: 3
Difficulty: Easy
LO: 1-1

31) Which of the following is a part of an organizations' inputs?
A) salaries
B) suppliers
C) money and capital
D) shareholders
Answer: C
Page Ref: 3
Difficulty: Easy
LO: 1-1

32) Which of the following is an output created by an organization?
A) capital
B) competitors
C) machinery
D) salaries
Answer: D
Page Ref: 3
Difficulty: Easy
LO: 1-1

33) ________ determines how much value is created at the conversion stage.
A) The way an organization chooses and obtains the inputs it needs to produce goods and services from its environment
B) The method used by an organization to sell its products or services to the customers
C) The feedback received by an organization from its customers about its products or services
D) The way an organization uses human resources and technology to transform inputs into outputs
Answer: D
Page Ref: 4
Difficulty: Moderate
LO: 1-1

34) An organization ________.
A) facilitates the division of labor
B) increases transaction costs
C) has little power over individuals working in it
D) cannot achieve economies of scope
Answer: A
Page Ref: 5
Difficulty: Easy
LO: 1-1

35) Which of the following is most likely to be the result of the formation of an organization?
A) It decreases the need for division of labor.
B) It increases the transaction costs.
C) It exerts pressure on individuals to conform to task and production requirements.
D) It makes production more costly.
Answer: C
Page Ref: 6
Difficulty: Moderate
LO: 1-1

36) ________ are cost savings that result when an organization is able to use underutilized resources more effectively because they can be shared across several different products or tasks.
A) Economies of scale
B) Sunk costs
C) Deffered revenues
D) Economies of scope
Answer: D
Page Ref: 6
Difficulty: Easy
LO: 1-1

37) A toy maker sells a large number of toys and due to the large volume production it is able to acquire the raw materials required to make the toys at a cheaper price than the competition. In this case, the toy maker is taking advantage of ________.
A) economies of scale
B) economies of scope
C) organizational culture
D) organizational structure
Answer: A
Page Ref: 6
Difficulty: Moderate
LO: 1-1

38) ________ are cost savings that result when goods and services are produced in large volume on automated production lines.
A) Sunk costs
B) Economies of scale
C) Deferred revenues
D) Economies of scope
Answer: B
Page Ref: 6
Difficulty: Easy
LO: 1-1

39) An automobile company modifies its existing automated production line so that it can manufacture two more models of cars using the same facility. This shows that the automobile manufacturer is planning to take advantage of ________.
A) economies of scope
B) deferred revenues
C) transaction costs
D) elasticity of supply
Answer: A
Page Ref: 6
Difficulty: Moderate
LO: 1-1

40) ________ costs are the costs associated with negotiating, monitoring, and governing exchanges between people.
A) Historical
B) Sunk
C) Transaction
D) Opportunity
Answer: C
Page Ref: 7
Difficulty: Easy
LO: 1-1

41) When local store managers try to spot trends and changes so that they can respond to customer needs, they are attempting to ________.
A) increase the elasticity of supply
B) decrease the transaction costs
C) manage the external environment
D) increase the division of labor
Answer: C
Page Ref: 6
Difficulty: Easy
LO: 1-1

42) Which of the following terms refers to the study of how organizations function and how they affect and are affected by the environment in which they operate?
A) organizational behavior
B) organizational theory
C) organizational culture
D) organizational environment
Answer: B
Page Ref: 8
Difficulty: Easy
LO: 1-2

43) The principal purpose of organizational structure is to ________.
A) determine the vision and mission of the organization
B) develop new and improved products for the existing markets
C) control how people coordinate their actions and use resources
D) select an appropriate business strategy that will help the organization achieve its long term goals
Answer: C
Page Ref: 8
Difficulty: Easy
LO: 1-2

44) Organizational culture ________.
A) remains the same once it is developed
B) controls organizational members' interactions with each other
C) is shaped primarily by an organization's environment
D) is the formal system of task and authority relationships
Answer: B
Page Ref: 8
Difficulty: Moderate
LO: 1-2

45) ________ is the process by which managers select and manage aspects of structure and culture so an organization can control the activities necessary to achieve its goals.
A) Organizational design
B) Competitive analysis
C) Arbitration
D) Environmental scanning
Answer: A
Page Ref: 9
Difficulty: Easy
LO: 1-3

46) Coca-Cola takes pride in a long-term commitment to employees; Pepsi is very political and competitive. These are differences in organizational ________.
A) culture
B) structure
C) environment
D) design
Answer: A
Page Ref: 9
Difficulty: Easy
LO: 1-2

47) Which of the following statements is true regarding organizational design?
A) An organizational design once formed remains constant throughout the life of the organization.
B) Every organization must identify the single perfect design that fits its needs and then implement it.
C) Once an organizational design is in place, it hinders the process of organizational change.
D) Organizational design deals with structure and culture of the organization.
Answer: D
Page Ref: 9
Difficulty: Moderate
LO: 1-2

48) The process by which organizations move from their present state to some desired future state is called ________.
A) organizational triangulation
B) environmental scanning
C) organizational change
D) transaction analysis
Answer: C
Page Ref: 10
Difficulty: Easy
LO: 1-3

49) At Microsoft, to control scientists and make use of their talents, Bill Gates put them in teams. This is an example of a change in an organization's ________.
A) culture
B) behavior
C) environment
D) structure
Answer: D
Page Ref: 10
Difficulty: Easy
LO: 1-3

50) Which of the following definitions best describes a contingency?
A) It is an event occurred in the past which resulted in heavy profits for the company.
B) It is an event due to which a company identifies its competitive advantage.
C) It is an event that might occur and must be planned for.
D) It is an event occurred in the past which resulted in heavy loss for the company.
Answer: C
Page Ref: 11
Difficulty: Hard
LO: 1-5

51) Which of the following are contingencies that cause the organization to face uncertainty?
A) organizational design and organizational processes
B) changing technology and organizational design
C) global environment and changing technology
D) organizational structure and global environment
Answer: C
Page Ref: 12
Difficulty: Easy
LO: 1-5

52) Competitive advantage is the ability of a company to ________.
A) identify changes in consumer tastes and preferences
B) outperform another company because its managers are able to create more value from the resources at their disposal
C) develop a flexible organization structure that can quickly respond to changes in the environment
D) achieve economies of scale by manufacturing a product in large volumes
Answer: B
Page Ref: 12
Difficulty: Hard
LO: 1-5

53) Which of the following terms refers to the specific pattern of decisions and actions that managers take to use core competences to achieve a competitive advantage and outperform competitors?
A) strategy
B) value chain
C) organizational design
D) histogram
Answer: A
Page Ref: 12
Difficulty: Easy
LO: 1-5

54) The quality of organizational decision-making is a function of the ________.
A) organizational core competences
B) environment of the organization
C) diversity of the viewpoints that get considered
D) value chain followed by the organization
Answer: C
Page Ref: 14
Difficulty: Moderate
LO: 1-5

55) An organization's ________ determine how effectively managers are able to coordinate and motivate workers.
A) environmental factors
B) core competences
C) structure and culture
D) competitive advantages
Answer: C
Page Ref: 14
Difficulty: Easy
LO: 1-5

56) Researchers analyzing what CEOs and managers do for measuring organizational effectiveness, have pointed to ________ as the three most important processes managers use to assess and measure how effective they, and their organizations, are at creating value.
A) innovation, efficiency, and differentiation
B) differentiation, control, and environmental scanning
C) control, innovation, and efficiency
D) environmental scanning, control, and innovation
Answer: C
Page Ref: 16
Difficulty: Easy
LO: 1-4

57) The ________ approach to measuring organizational effectiveness evaluates the organization's ability to convert skills and resources into goods and services efficiently.
A) external resource
B) technical
C) internal systems
D) transactional
Answer: B
Page Ref: 16
Difficulty: Easy
LO: 1-4

58) Chief operating officers (COOs) ________.
A) oversee organizational structure and culture
B) determine competitive strategies for the organization
C) are made responsible for achieving the predefined profit level
D) are head of the R&D department in the organization
Answer: A
Page Ref: 16
Difficulty: Moderate
LO: 1-4

59) The ________ approach allows managers to evaluate the organization's ability to secure, manage, and control scarce and valued skills and resources.
A) external resource
B) internal systems
C) technical
D) transaction
Answer: A
Page Ref: 16
Difficulty: Easy
LO: 1-4

60) The ________ approach allows managers to evaluate the organization's ability to be innovative and function quickly and responsively.
A) external resource
B) internal systems
C) technical
D) transaction
Answer: B
Page Ref: 16
Difficulty: Easy
LO: 1-4

61) As per the external resource approach to measuring organizational effectiveness, an organization will most likely attempt to ________ to increase its effectiveness.
A) increase rate of product innovation
B) increase market share
C) reduce conflict
D) reduce number of defects
Answer: B
Page Ref: 16
Difficulty: Easy
LO: 1-4

62) Which of the following goals is most likely to be set by an organization to measure effectiveness if it is using the technical approach to measure organizational effectiveness?
A) reduce production cost
B) increase market share
C) increase rate of product innovation
D) lower costs of input
Answer: A
Page Ref: 16
Difficulty: Easy
LO: 1-4

63) In order to measure organizational effectiveness, an organization uses indicators such as number of defective products and cost of production. These indicators show that the organization is using the ________ approach to measure organizational effectiveness.
A) external resource
B) technical
C) internal systems
D) transactional
Answer: B
Page Ref: 16
Difficulty: Easy
LO: 1-4

64) Which of the following goals set by an organization to measure effectiveness indicates that it is using the internal systems approach to measure organizational effectiveness?
A) lower costs of inputs
B) increase stock price
C) improve customer service
D) increase rate of product innovation
Answer: D
Page Ref: 16
Difficulty: Easy
LO: 1-4

65) Which of the following goals set by an organization to measure effectiveness indicates that it is using the external resource approach to measure organizational effectiveness?
A) reduce production costs
B) increase coordination and motivation of employees
C) gain support of stakeholders such as government or environmentalists
D) reduce delivery time to customer
Answer: C
Page Ref: 16
Difficulty: Easy
LO: 1-4

66) In order to measure organizational effectiveness, an organization measures the amount of time needed to get new products to market, and the amount of time spent coordinating the activities of different departments. This indicates that the organization is using the ________ approach to measure the organizational effectiveness.
A) internal systems
B) transactional
C) external resource
D) technical
Answer: A
Page Ref: 17
Difficulty: Easy
LO: 1-4

67) A computer manufacturer was concerned about its effectiveness, so it eliminated a level in its hierarchy and decentralized decision-making authority. Which of the following approaches is it using to evaluate organizational effectiveness?
A) external resource approach
B) internal system approach
C) technical approach
D) transaction cost approach
Answer: B
Page Ref: 17
Difficulty: Hard
LO: 1-4

68) In order to measure organizational effectiveness, an organization uses indicators such as stock price and market share. These indicators show that the organization is using the ________ approach to measure the organizational effectiveness.
A) external resource
B) internal system
C) technical
D) transactional
Answer: A
Page Ref: 17
Difficulty: Easy
LO: 1-4

69) Which of the following goals is most likely to be set by an organization to measure effectiveness when it uses the external resource approach to measure organizational effectiveness?
A) improve customer service
B) reduce production costs
C) increase stock price
D) cut decision-making time
Answer: C
Page Ref: 17
Difficulty: Easy
LO: 1-4

70) Top management's ability to perceive and respond to changes in the environment or to initiate change and be first to take advantage of a new opportunity indicates the effectiveness of the organization as per the ________ approach.
A) external resource
B) transactional
C) internal systems
D) technical
Answer: A
Page Ref: 17
Difficulty: Easy
LO: 1-4

71) If an organization is using the technical approach to measure organizational effectiveness then it will attempt to ________ to increase the effectiveness of the organization.
A) increase product quality
B) lower costs of inputs
C) increase coordination and motivation of employees
D) increase stock price
Answer: A
Page Ref: 18
Difficulty: Easy
LO: 1-4

72) ________ goals are guiding principles that the organization formally states in its annual report and in other public documents.
A) Operative
B) Profit
C) Tactical
D) Official
Answer: D
Page Ref: 19
Difficulty: Easy
LO: 1-4

73) Which of the following terms refers to the goals that explain why the organization exists and what it should be doing?
A) mission
B) tactical goal
C) operative goal
D) profit goal
Answer: A
Page Ref: 19
Difficulty: Easy
LO: 1-4

74) Usually the ________ goals lay out the mission of the organization.
A) tactical
B) profit
C) short-term
D) official
Answer: D
Page Ref: 19
Difficulty: Easy
LO: 1-4

75) Operative goals ________.
A) are meant to legitimize the organization and its activities, to allow it to obtain resources and the support of its stakeholders
B) focus only on the long term
C) focus only on the short term
D) can be used to measure how well an organization is managing its environment
Answer: D
Page Ref: 20
Difficulty: Moderate
LO: 1-4

76) Which of the following is an example of an official goal?
A) reduce delivery time to customer
B) become a leading producer of a product
C) increase market share
D) increase product quality
Answer: B
Page Ref: 20
Difficulty: Easy
LO: 1-4

77) What is an organization?
Answer: An organization is a tool people use to coordinate their actions to obtain something they desire or value-that is, to achieve their goals.
Page Ref: 2
Difficulty: Easy
LO: 1-1

78) Define entrepreneurship.
Answer: Entrepreneurship is the process by which people recognize opportunities to satisfy needs and then gather and use resources to meet those needs.
Page Ref: 2
Difficulty: Easy
LO: 1-1

79) List four examples of "organizational inputs."
Answer: Examples of "organizational inputs" are:
Raw materials
Money and capital
Human resources
Information and knowledge
Customers
Page Ref: 3
Difficulty: Easy
LO: 1-1

80) List four examples of "organizational outputs."
Answer: Examples of "organizational outputs" are:
Finished Goods
Services
Dividends
Salaries
Value for stakeholders
Page Ref: 3
Difficulty: Easy
LO: 1-1

81) List four examples of factors or entities impacting the organization's environment.
Answer: Examples of factors or entities impacting the organization's environment are:
Customers
Shareholders
Suppliers
Distributors
Government
Competitors
Page Ref: 3
Difficulty: Easy
LO: 1-1

82) Describe the advantages of forming an organization.
Answer: The advantages of forming an organization are:
1. To increase specialization and the division of labor: the collective nature of organizations allows individuals to focus on a narrow area of expertise, which allows them to become more skilled or specialized at what they do.
2. To use large-scale technology: organizations are able to take advantage of the economies of scale and scope that result from the use of modern automated and computerized technology.
3. To manage the organizational environment: managing complex environments is a task beyond the abilities of most individuals, but an organization has the resources to develop specialists to anticipate or attempt to influence the many pressures from the environment.
4. To economize on transaction costs: organizations' ability to control the exchanges between people reduces the transaction costs associated with these exchanges.
5. To exert power and control: organizations can exert great pressure on individuals to conform to task and production requirements in order to increase production efficiency.
Page Ref: 5-7
Difficulty: Moderate
LO: 1-1

83) What is the difference between economies of scale and economies of scope?
Answer: Economies of scale are cost savings from producing large volumes whereas economies of scope are cost savings because of the use of shared resources.
Page Ref: 6
Difficulty: Easy
LO: 1-1

84) Describe the significance of the organizational structure.
Answer: Organizational structure is the formal system of task and authority relationships that control how people coordinate their actions and use resources to achieve organizational goals. The principal purpose of organizational structure is one of control: to control the way people coordinate their actions to achieve organizational goals and to control the means used to *motivate* people to achieve these goals. For any organization, an appropriate structure is one that facilitates effective responses to problems of coordination and motivation. As organizations grow and differentiate, the structure likewise evolves. Organizational structure can be managed through the process of organizational design and change.
Page Ref: 8-9
Difficulty: Moderate
LO: 1-2

85) Define organizational culture and discuss its significance.
Answer: Organizational culture is the set of shared values and norms that controls organizational members' interactions with each other and with suppliers, customers, and other people outside the organization.

Organizational culture shapes and controls behavior within the organization. It influences how people respond to a 911 situation and how they interpret the environment surrounding the organization.
Page Ref: 9
Difficulty: Easy
LO: 1-2

86) A large company was successful, but has been losing market share and laying off workers. Product development has been slow. What could be the source of the problem, and what can be done to resolve it?
Answer: It is likely that the organization has neglected organizational design. Its structure and culture may have worked well in the past, but both culture and structure need to be continually evaluated. The organization needs to re-evaluate both its structure and culture. To speed up product development time, the organization could eliminate levels in the hierarchy and decentralize decision-making authority. In addition, the structure can be designed to create cross-functional teams to increase innovation and flexibility. In addition to changing the structure, the organization can foster a culture that encourages innovation and risk taking.
Page Ref: 9
Difficulty: Moderate
LO: 1-2

87) You are a consultant to Apex Corporation. The CEO insists that effectiveness must be evaluated by an increase in stock price to satisfy stockholders. The marketing vice president insists that the main goal is to reduce the time to bring products to the customer. The manufacturing vice president states that production costs should be the key focus of the organization. What approach is each manager using to evaluate organizational effectiveness, and what can this organization do to ensure that effectiveness is properly evaluated?
Answer: Goals will often conflict, but the three major tasks of management are control, innovation, and efficiency. Each of the three managers is evaluating effectiveness on one of these three tasks. The CEO is using the external resource approach, which measures an organization's ability to control the environment. The marketing manager is using an internal systems approach, which is concerned with innovation. The manufacturing manager is using a technical approach, which is concerned with efficiency. However, it is very important for an organization to evaluate all three tasks: control, innovation, and efficiency. All three approaches must be used. The company should be concerned about the overall collective performance of the organization.
Page Ref: 16
Difficulty: Hard
LO: 1-4

88) Discuss the external resource approach to measuring organizational effectiveness.
Answer: The external resource approach allows managers to evaluate how effectively an organization manages and controls its external environment. For example, the organization's ability to influence stakeholders' perceptions in its favor and to receive a positive evaluation by external stakeholders is very important to managers and the organization's survival. Similarly, an organization's ability to utilize its environment and to secure scarce and valuable resources is another indication of its control over the environment. To measure the effectiveness of their control over the environment, managers use indicators such as stock price, profitability, and return on investment, which compare the performance of their organization with the performance of other organizations.
Page Ref: 17
Difficulty: Moderate
LO: 1-4

89) Discuss the internal systems approach to measuring organizational effectiveness.
Answer: The internal systems approach allows managers to evaluate how effectively an organization functions and operates. To be effective, an organization needs a structure and a culture that foster adaptability and quick responses to changing conditions in the environment. The organization also needs to be flexible so it can speed up decision-making and create products and services rapidly. Measures of an organization's capacity for innovation include the length of time needed to make a decision, the amount of time needed to get new products to market, and the amount of time spent coordinating the activities of different departments.
Page Ref: 17
Difficulty: Moderate
LO: 1-4

90) What are operative goals?
Answer: Operative goals are specific long- and short-term goals that guide managers and employees as they perform the work of the organization. Managers can use operative goals to measure how well they are managing the environment. Also, operative goals allow managers to benchmark themselves against their competitors.
Page Ref: 20
Difficulty: Easy
LO: 1-4

